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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends. Constantly measuring and reporting the basic economic factors responsible for changes in trends and values. Current Studies. Surveys. Forecasts.

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Number 17

MORTGAGE ACTIVITY IN PRINCIPAL CITIES

THE charts on pages 136 through 139 show the trend of mortgage activity in thirty-eight cities. The figures have been adjusted for seasonal variations. Figures for Queens and the Bronx were obtained from the Savings Banks Trust Company of New York.

The figures for Dallas, Texas, and Yonkers, New York, are made up of new mortgages only. Each chart shows the county or counties covered by this survey. Since the San Francisco figures which include all five counties in the Area are higher than the figures for Oakland (Alameda County), we can conclude that the other four counties in the Area have reported higher mortgage activity on the average than Alameda County.

This study has been improved over the one that appeared in the September 1947 Real Estate Analyst by the addition of a national average (red line) on each chart. It is noteworthy that of the fourteen cities well above the national average, only four are eastern cities - Columbus, Ohio; Springfield, Ohio; Hartford, Connecticut; and Syracuse, New York. The seven cities most consistently below the national average are for the most part the large older cities in the East. Chicago, a midwestern city, is the only exception. The other six are Boston, Brooklyn, Philadelphia, Pittsburgh, Detroit and Yonkers. The "strongest" cities are found in the South and West. Most of the midwestern cities follow the national average very closely.

There were sixteen cities which showed a lower mortgage activity in 1947 than in 1946. Fifteen showed a higher activity, and eight showed practically no change.

The most spectacular mortgage activity has been recorded in Los Angeles and Miami. High activity also was reported in the Bronx and Queens.

In September we remarked that we did not expect 1947 activity to be quite so high as 1946. The national average shows that the early part of 1947 was below 1946, but the tremendous surge of building in September, October and November of last year brought the 1947 activity level slightly above that of 1946. Residential construction has gotten off to a running start in 1948, and unless the foreign situation becomes more disturbing, we expect another big year in home building.

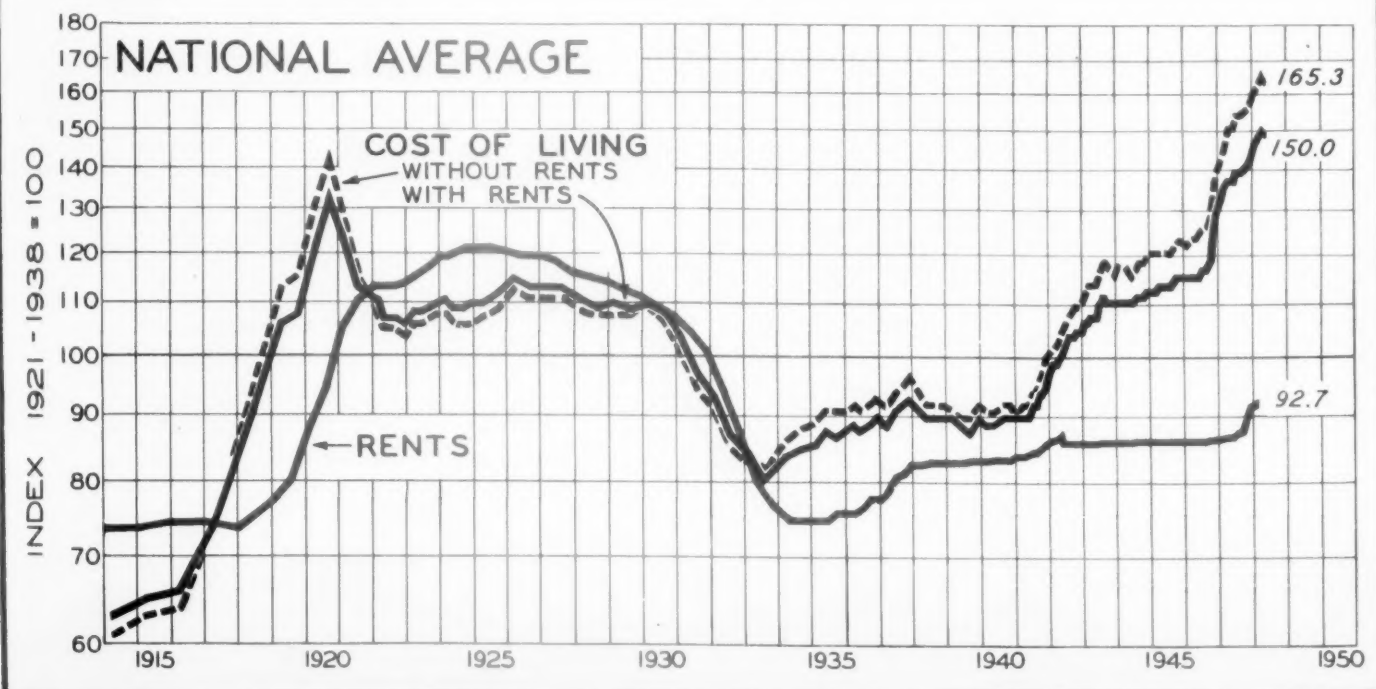
We are glad to see that many mortgage lenders are becoming more chary with their money, and suggest that while a higher interest rate (4-1/2 to 5 per cent) and a more conservative appraisal policy may cut down the volume of business, there will be far less cause for headaches later on.

ANOTHER INEQUITY OF RENT CONTROL

THE fact that a minority of our population (the landlords) is being forced to subsidize a majority of our population (the tenants) by the existence and administration of our rent control laws is in itself unfair and contrary to the democratic principles of the country. Another unfair aspect of rent control is that the landlord loses much more than the tenant gains. If a tenant with a cost of living budget of \$210 per month, of which \$50 is rent, is given a 30 per cent rent raise, it amounts to a \$15 increase in his cost of living - or a fraction over 7 per cent increase. The landlord, however, would receive a 30 per cent increase in his gross income - or about 15 per cent increase in his net income. Therefore, by prohibition of this 30 per cent rent increase, the tenant is saved 7 per cent of his cost of living, while the landlord, with no protection against increases in his cost of living or cost of operating his building, is deprived of the 15 per cent increase in what is frequently his sole source of income.

The chart at the bottom of the page shows the course followed by rents, the cost of living (with rents included), and the cost of living without rents from 1913 to the present. The three indexes shown all have the same base period, 1921-1938, an 18-year span containing nine good years and nine bad. In the comparatively free market following World War I the cost of living shot up quite rapidly to a peak in mid-1920 from whence it dropped to a reasonably level plateau for the next nine years. During this same period rents, free at that time, rose more slowly but leveled off with slightly more of an increase than that shown by the cost of living. In 1930 rents and the cost of living began to fall rapidly. The cost of living fell until the middle of 1933 and began to rise, whereas rents continued to fall for another year and did not begin to recover until late 1935. The story of what has happened to rents from then on is well known. Because of rent control they have never recovered.

The most significant thing about this chart is the almost identical course followed by the cost of living and the cost of living less rents in the free economy of the last boom. This shows the over-emphasis placed on rent as a living cost by proponents of rent control. As pointed out before, a 30 per cent rent increase is actually only about a 7 per cent increase in the cost of living.



RENTS AND THE COST OF LIVING IN 34 CITIES

| | December 1925 | | | December 1932 | | | September 1939 | | | Present | | |
|-------------------|----------------|----------------------------|-------|----------------|----------------------------|-------|----------------|----------------------------|-------|----------------|----------------------------|--------|
| | Cost of living | Cost of living minus rents | Rents | Cost of living | Cost of living minus rents | Rents | Cost of living | Cost of living minus rents | Rents | Cost of living | Cost of living minus rents | Rents |
| National Average | 114.8 | 113.0 | 121.4 | 83.8 | 82.8 | 87.1 | 90.1 | 91.9 | 83.4 | 150.0† | 165.3† | 92.7† |
| Atlanta | 116.5 | 116.4 | 117.2 | 80.3 | 80.7 | 78.6 | 87.6 | 89.7 | 77.4 | 148.0† | 161.1† | 87.0† |
| Baltimore | 113.0 | 110.8 | 114.9 | 85.8 | 83.5 | 92.0 | 92.4 | 92.2 | 86.9 | 157.5* | 169.9* | 94.8* |
| Birmingham | 119.5 | 116.7 | 132.8 | 77.5 | 81.1 | 61.1 | 86.2 | 87.9 | 78.8 | 148.6† | 160.2† | 96.3† |
| Boston | 115.5 | 115.0 | 116.4 | 85.8 | 82.7 | 96.9 | 88.9 | 89.5 | 85.9 | 143.6* | 155.7* | 95.5* |
| Buffalo | 114.2 | 112.5 | 121.1 | 84.6 | 84.0 | 87.3 | 92.1 | 93.1 | 87.5 | 152.4† | 165.7† | 98.4† |
| Chicago | 117.7 | 112.8 | 133.4 | 81.7 | 81.6 | 81.5 | 87.7 | 90.8 | 77.3 | 148.1* | 165.3* | 92.1* |
| Cincinnati | 112.9 | 112.3 | 123.6 | 84.4 | 82.1 | 101.9 | 91.2 | 92.3 | 92.3 | 156.3* | 169.8* | 99.9* |
| Cleveland | 113.0 | 110.9 | 122.2 | 82.4 | 82.5 | 82.3 | 92.7 | 95.1 | 83.2 | 156.4† | 171.6† | 95.5† |
| Denver | 112.7 | 110.3 | 122.2 | 83.0 | 83.0 | 83.5 | 90.6 | 92.3 | 83.0 | 151.8† | 165.3† | 93.1† |
| Detroit | 116.9 | 114.2 | 126.6 | 76.3 | 79.4 | 64.7 | 88.6 | 89.5 | 85.6 | 150.9† | 165.3† | 98.3† |
| Houston | 113.4 | 113.0 | 115.4 | 80.7 | 81.5 | 77.1 | 91.9 | 92.7 | 88.0 | 154.1† | 165.5† | 97.4† |
| Indianapolis | 115.1 | 113.8 | 121.7 | 81.8 | 82.0 | 80.2 | 89.3 | 90.3 | 84.3 | 154.3† | 165.3† | 98.4† |
| Jacksonville | 121.5 | 117.0 | 142.9 | 80.7 | 82.3 | 73.0 | 87.0 | 89.6 | 74.1 | 151.2* | 164.9* | 85.6* |
| Kansas City, Mo. | 112.3 | 111.6 | 115.9 | 85.0 | 85.0 | 85.4 | 90.4 | 93.5 | 76.8 | 145.9† | 158.4† | 90.4† |
| Los Angeles | 115.8 | 113.9 | 123.5 | 82.4 | 84.3 | 74.6 | 88.3 | 91.8 | 74.6 | 145.7† | 161.6† | 83.1† |
| Manchester, N. H. | | | | | | | | | | | | |
| Memphis | 114.7 | 113.4 | 121.2 | 80.6 | 82.0 | 75.0 | 89.9 | 99.5 | 80.7 | 154.5† | 179.9† | 87.9† |
| Milwaukee | | | | | | | | | | | | |
| Minneapolis | 113.7 | 110.4 | 117.4 | 86.7 | 84.2 | 88.8 | 94.6 | 93.9 | 82.1 | 149.5† | 166.0† | 92.3† |
| Mobile | 114.8 | 114.6 | 116.0 | 83.0 | 82.5 | 85.6 | 90.1 | 92.0 | 79.5 | 155.3* | 164.6* | 100.4* |
| | | | | | | | | | | | | |
| New Orleans | 112.0 | 111.6 | 114.5 | 83.8 | 82.0 | 92.6 | 92.5 | 94.3 | 84.2 | 160.7† | 175.1† | 91.1† |
| New York City | 114.1 | 113.9 | 114.7 | 87.5 | 84.6 | 97.6 | 91.1 | 92.0 | 87.9 | 150.2† | 166.9† | 91.4† |
| Norfolk | 112.9 | 113.2 | 116.6 | 83.7 | 83.2 | 90.0 | 89.0 | 91.5 | 80.7 | 152.2† | 166.9† | 90.2† |
| Philadelphia | 116.3 | 114.4 | 125.6 | 83.3 | 82.1 | 89.2 | 88.9 | 90.2 | 82.8 | 148.6† | 160.2† | 94.5† |
| Pittsburgh | 115.8 | 117.7 | 124.0 | 83.4 | 84.0 | 91.6 | 89.0 | 94.5 | 81.6 | 153.2† | 177.4† | 90.1† |
| Portland, Maine | 111.2 | 111.8 | 108.6 | 87.2 | 84.9 | 97.5 | 90.1 | 90.8 | 87.2 | 147.5* | 159.0* | 95.0* |
| Portland, Oreg. | 112.1 | 109.2 | 127.9 | 83.1 | 84.9 | 73.9 | 92.5 | 94.6 | 80.9 | 158.0† | 170.3† | 92.5† |
| Richmond, Va. | 114.8 | 114.2 | 117.6 | 84.2 | 82.6 | 92.5 | 90.6 | 91.7 | 85.1 | 149.7† | 161.1† | 92.7† |
| St. Louis | 114.9 | 111.2 | 129.8 | 83.2 | 82.6 | 85.6 | 90.5 | 95.0 | 72.3 | 151.4* | 168.2* | 82.2* |
| San Francisco | 111.5 | 110.0 | 118.2 | 87.4 | 86.4 | 92.3 | 92.8 | 94.1 | 86.5 | 155.1* | 168.8* | 93.8* |
| Savannah | 115.1 | 114.6 | 117.0 | 82.6 | 83.1 | 80.7 | 88.4 | 91.0 | 76.3 | 154.2† | 169.2† | 85.8† |
| Scranton | 121.2 | 116.7 | 118.4 | 87.8 | 81.9 | 97.1 | 90.2 | 88.3 | 81.8 | 152.2† | 160.6† | 88.3† |
| Seattle | 111.9 | 110.2 | 119.1 | 84.3 | 84.2 | 84.0 | 93.2 | 94.7 | 84.7 | 155.1† | 166.7† | 95.8† |
| Washington, D. C. | 111.2 | 111.2 | 111.2 | 87.2 | 84.4 | 97.2 | 92.9 | 93.1 | 92.5 | 151.2† | 167.1† | 94.7† |

*December 1947

†January 1948

‡February 1948

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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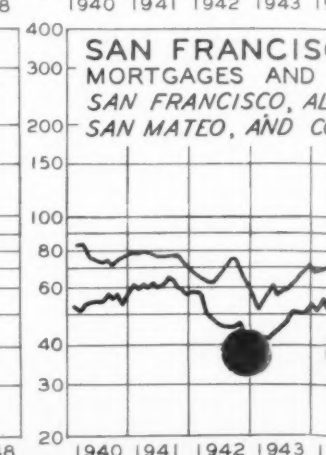
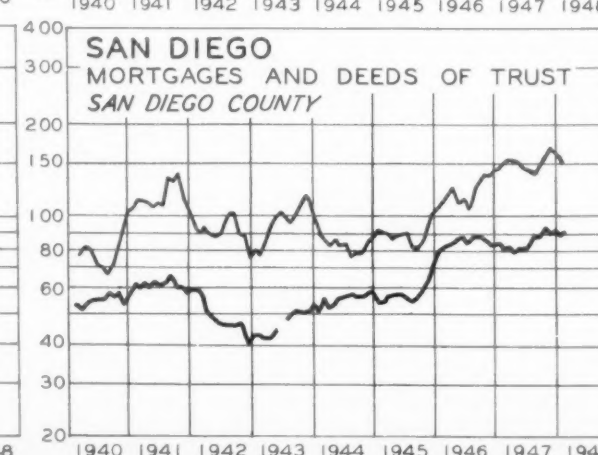
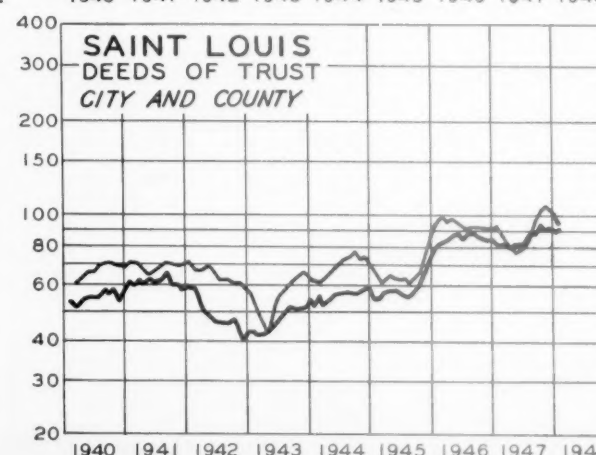
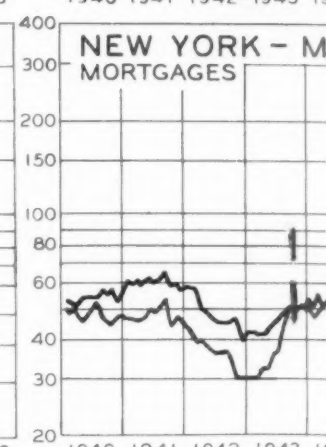
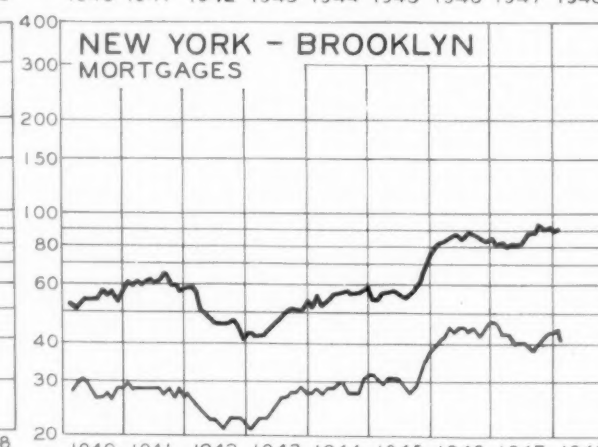
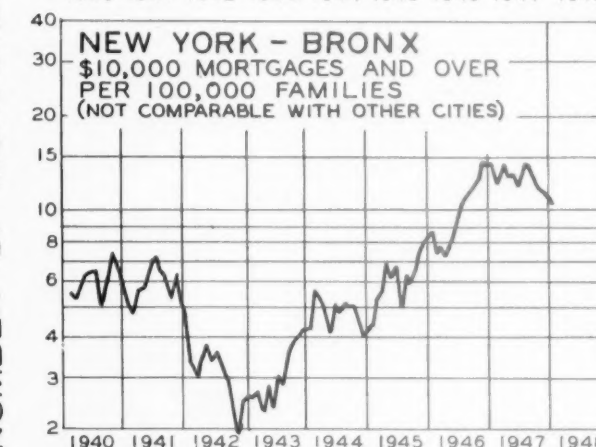
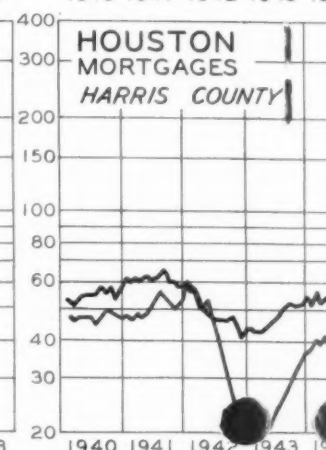
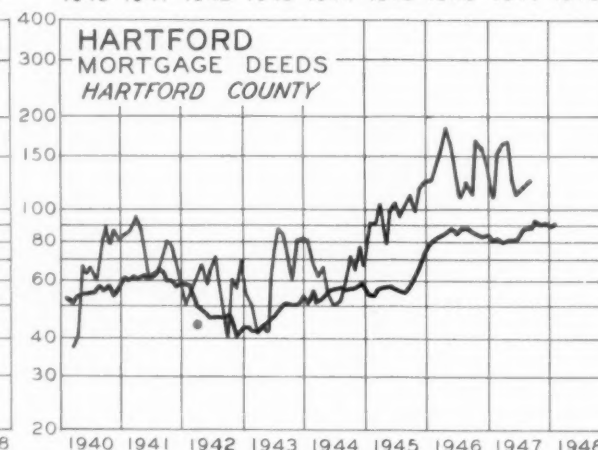
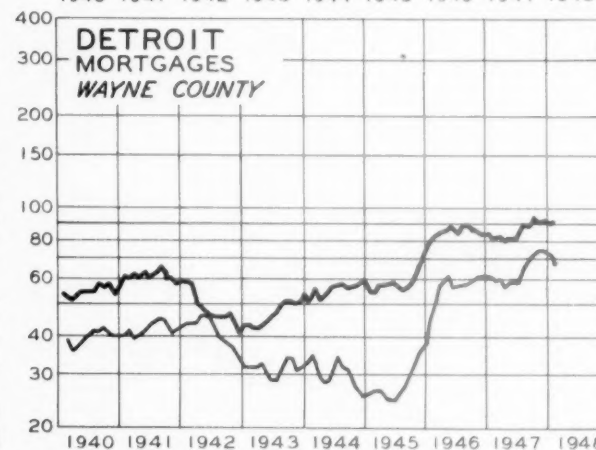
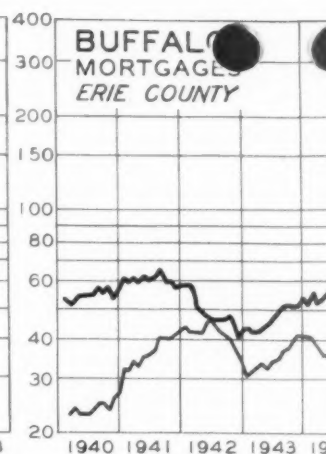
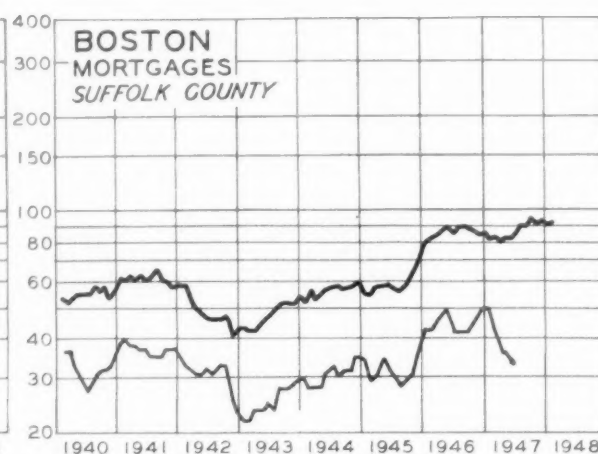
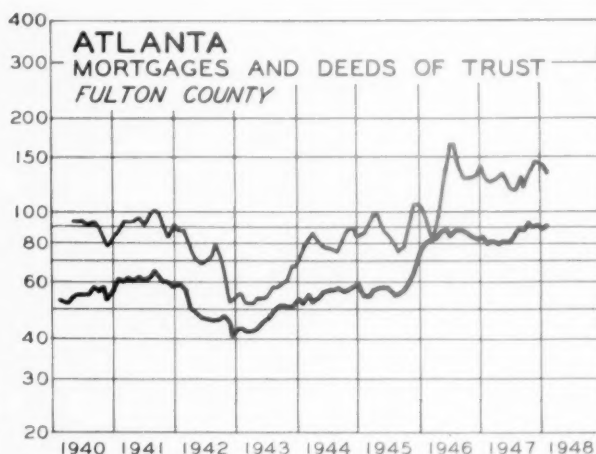


REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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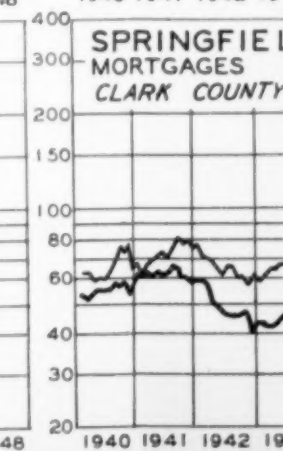
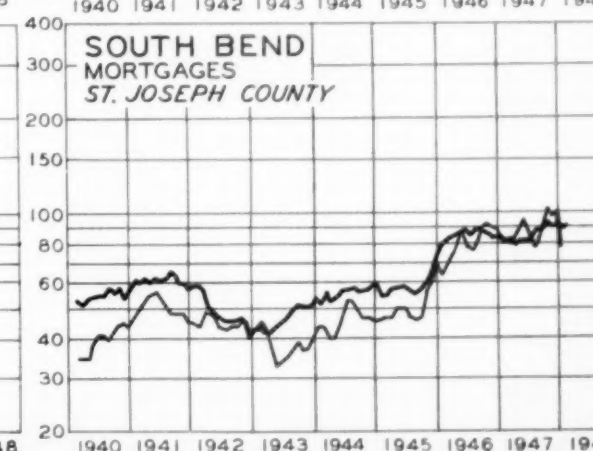
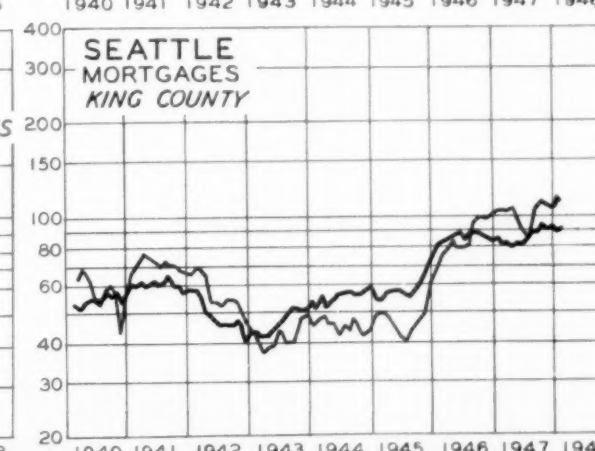
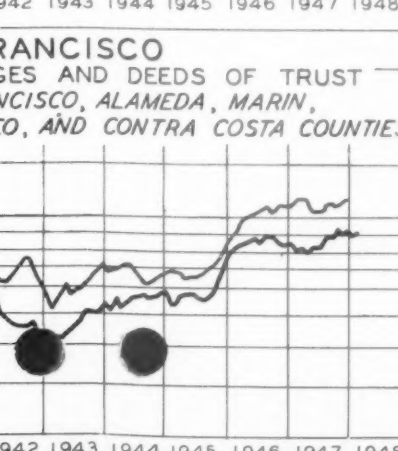
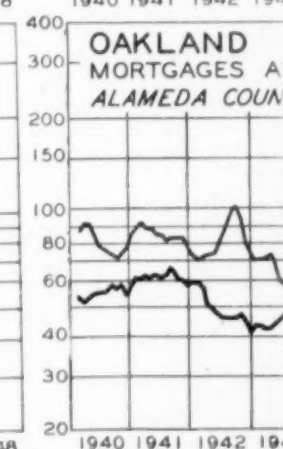
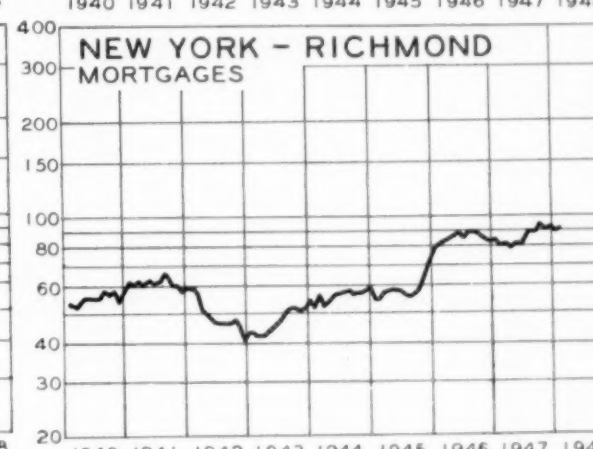
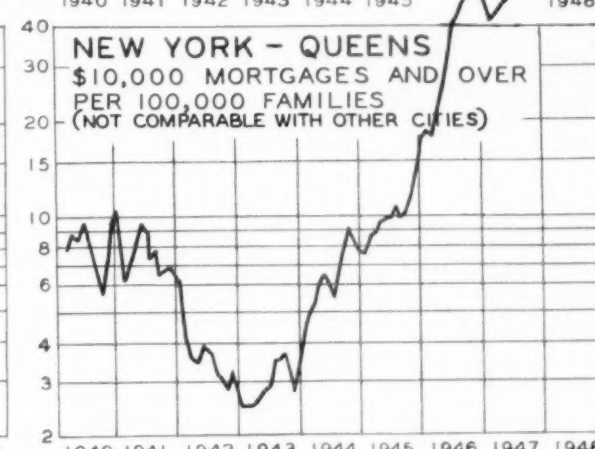
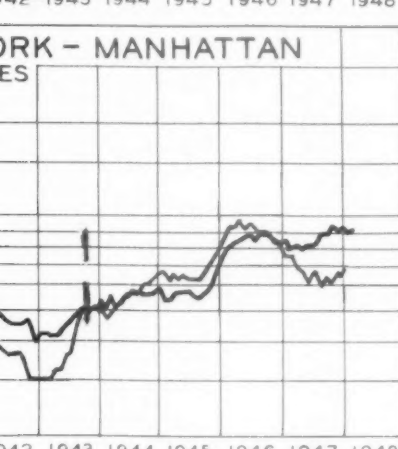
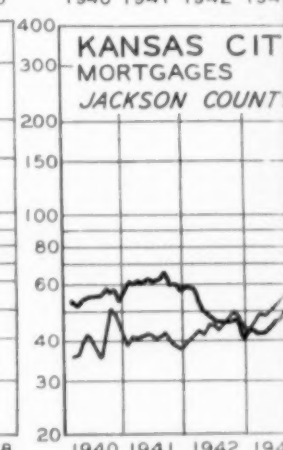
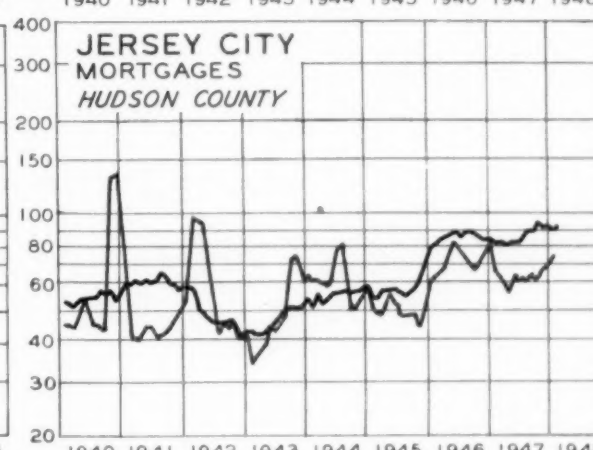
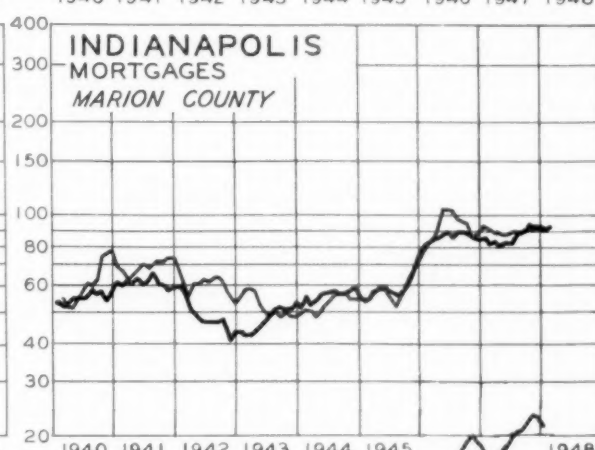
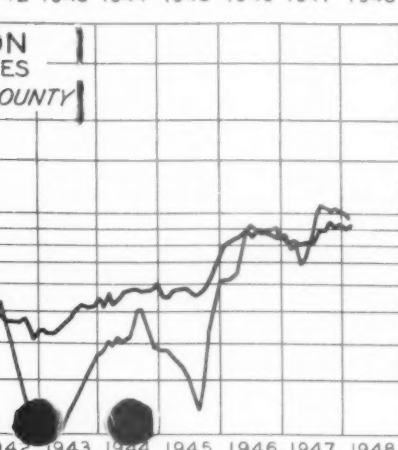
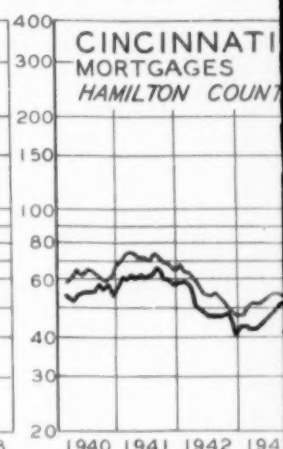
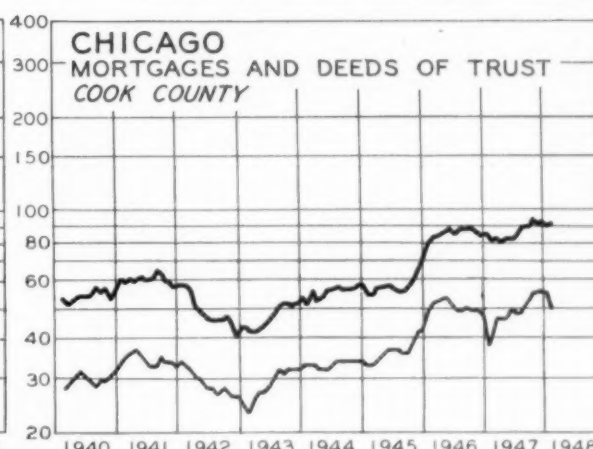
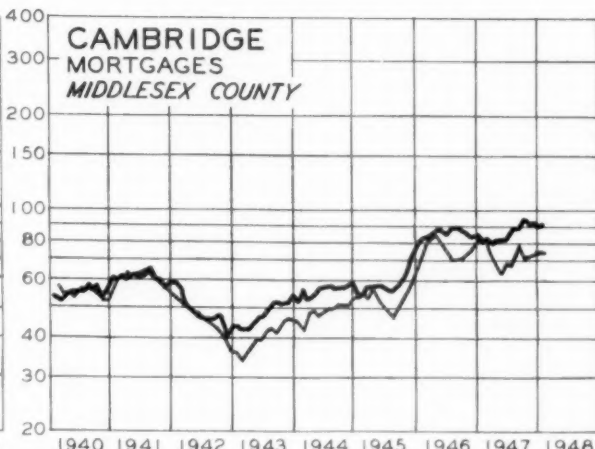
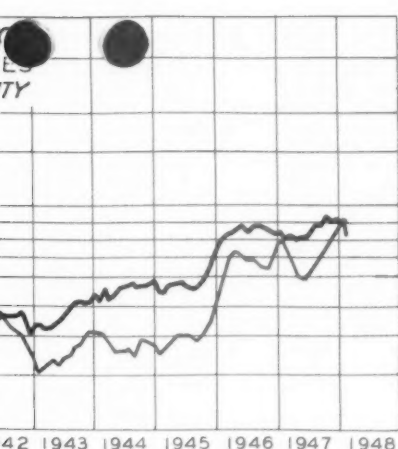


NUMBER OF MORTGAGES PER 10,000 FAMILIES



MORTGAGE ACTIVITY IN PRI

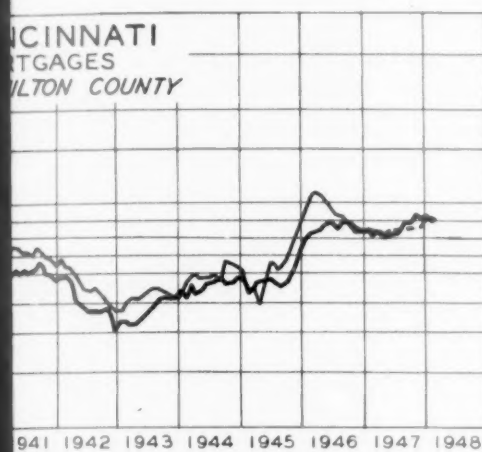
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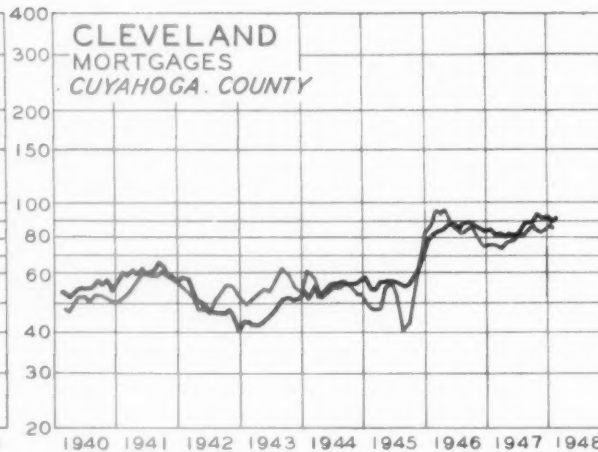
PRINCIPAL CITIES

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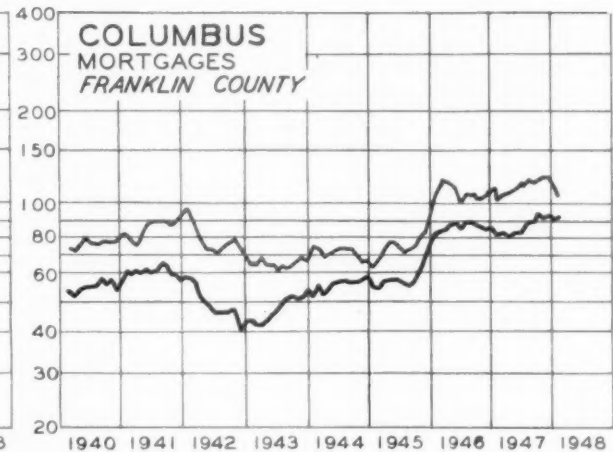
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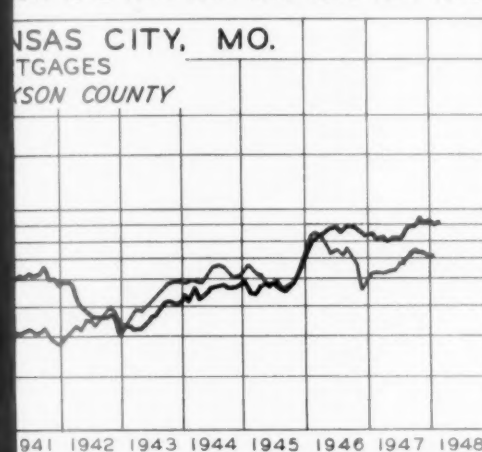
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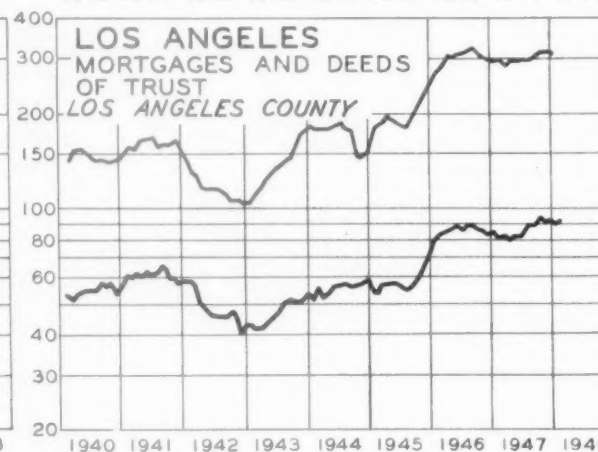
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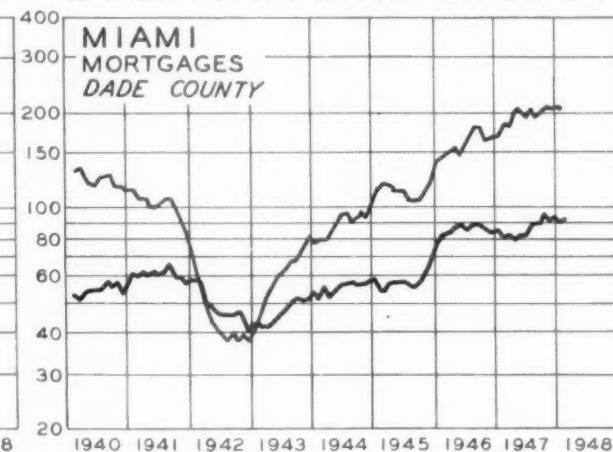
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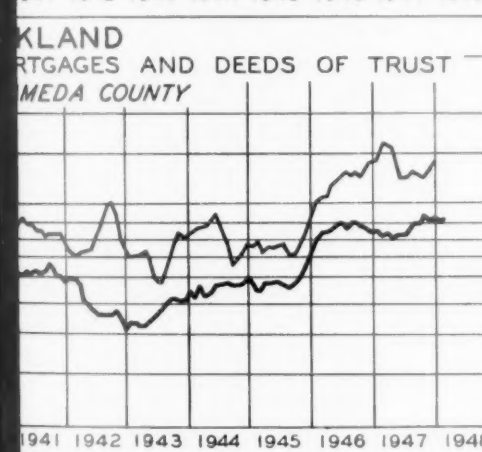
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OF TRUST
LOS ANGELES COUNTY



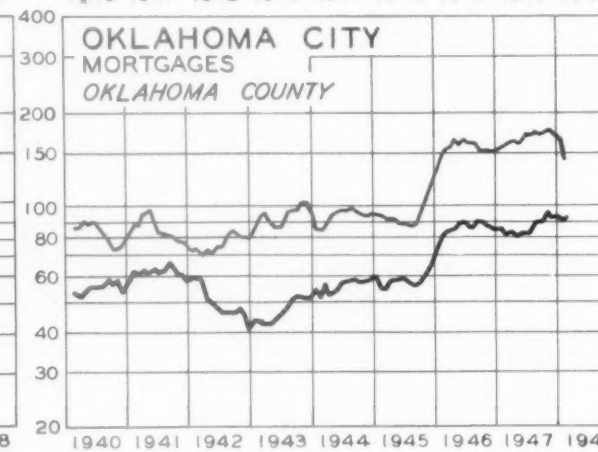
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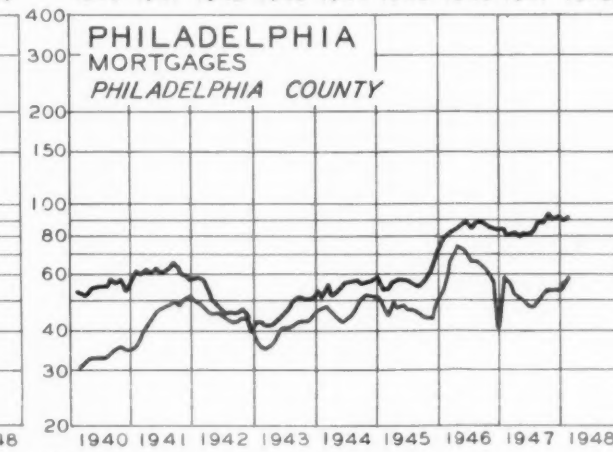
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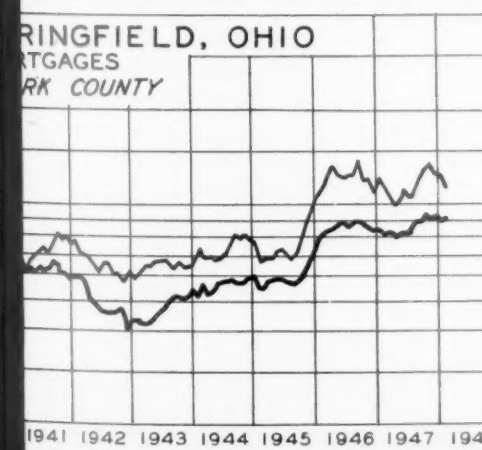
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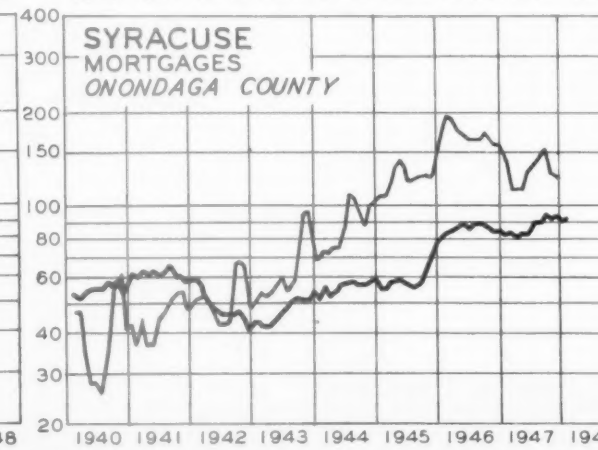
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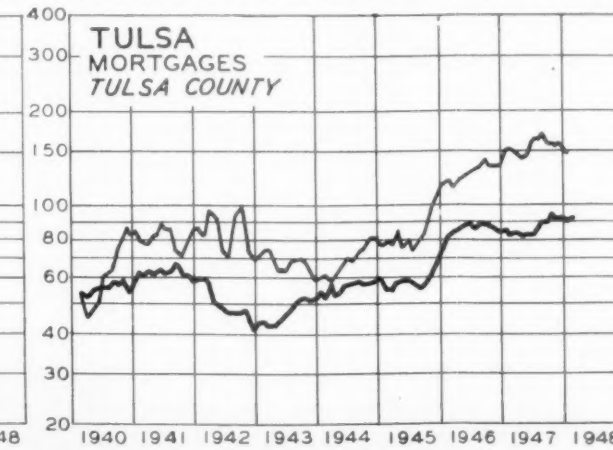
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MORTGAGES
RK COUNTY

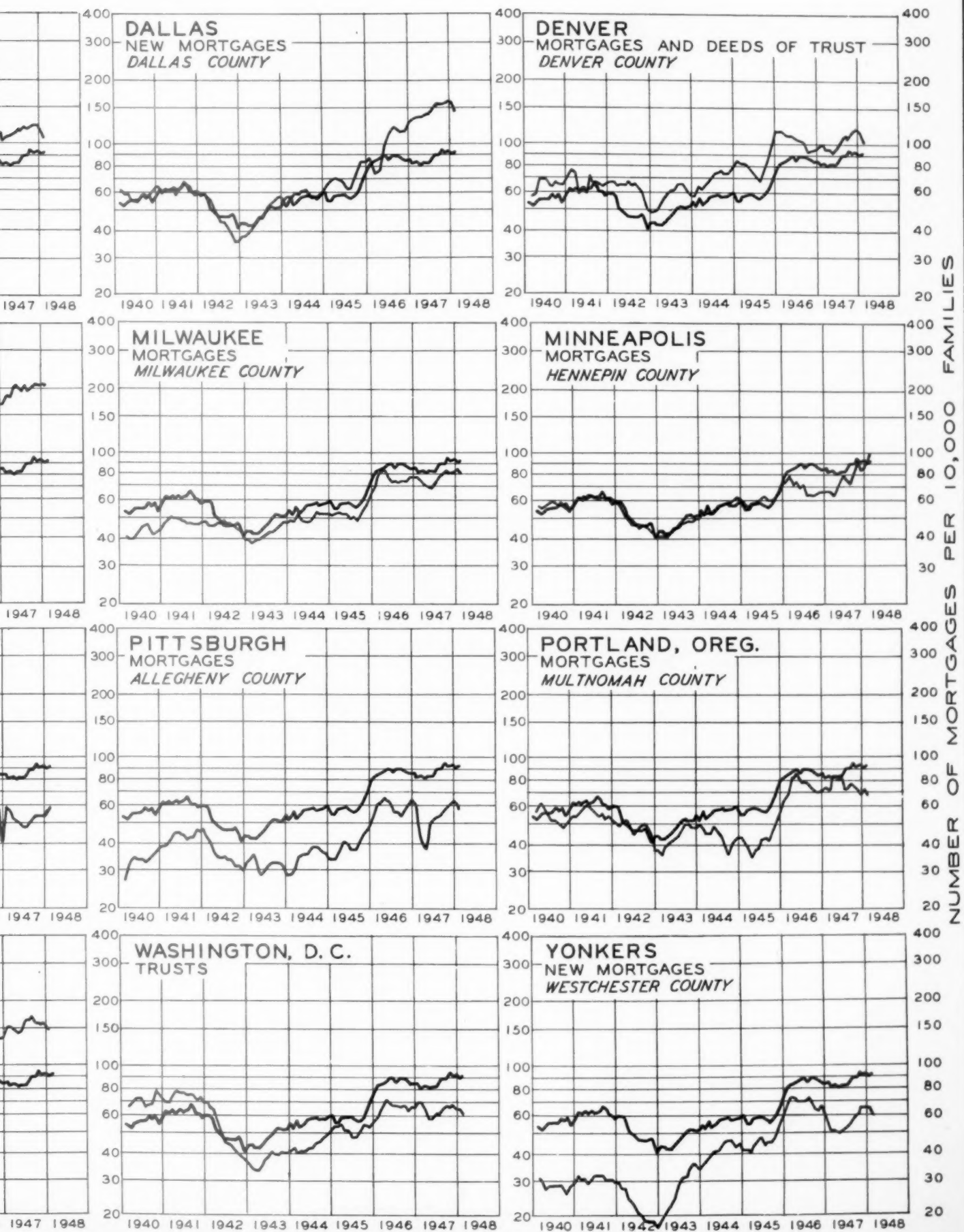


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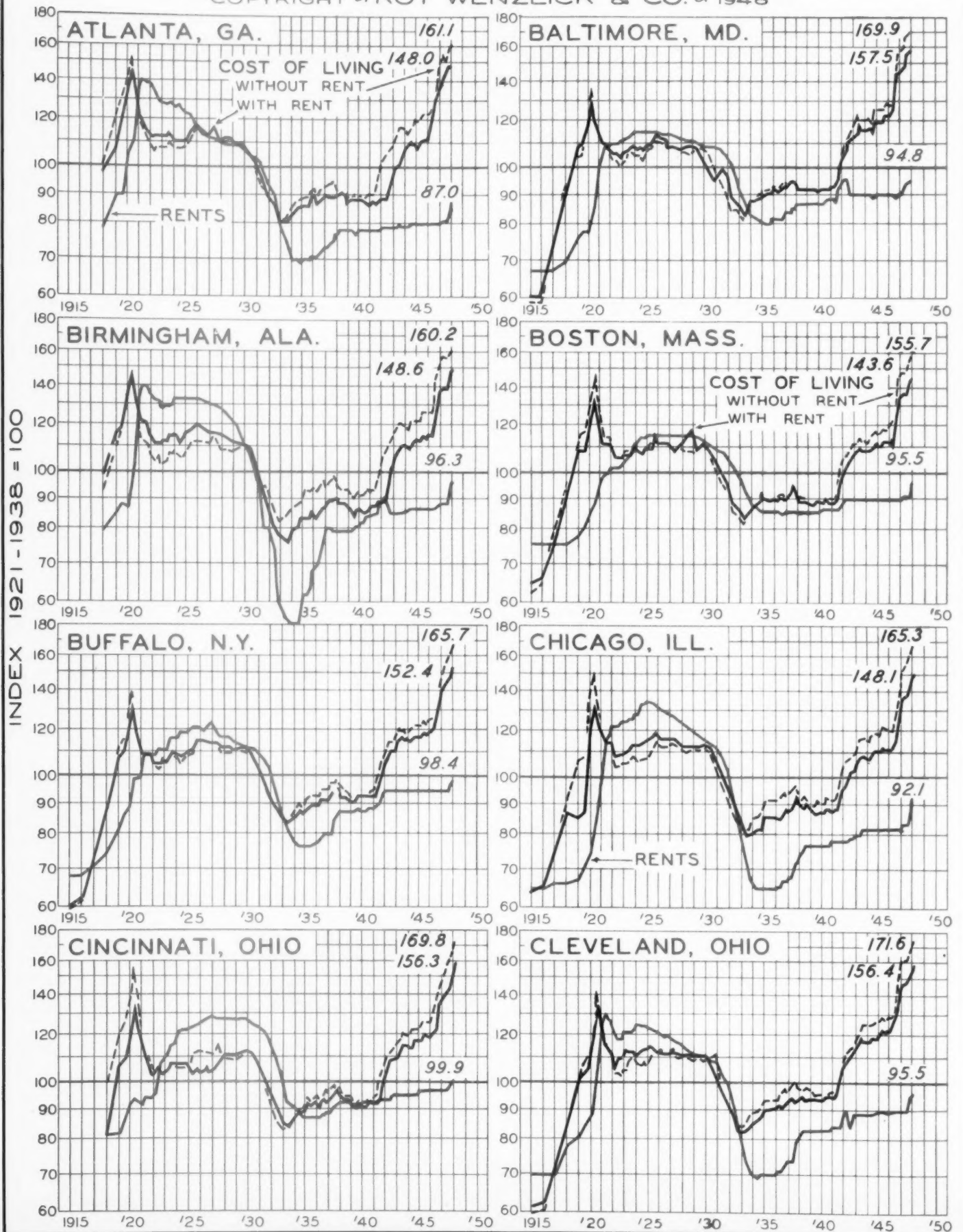
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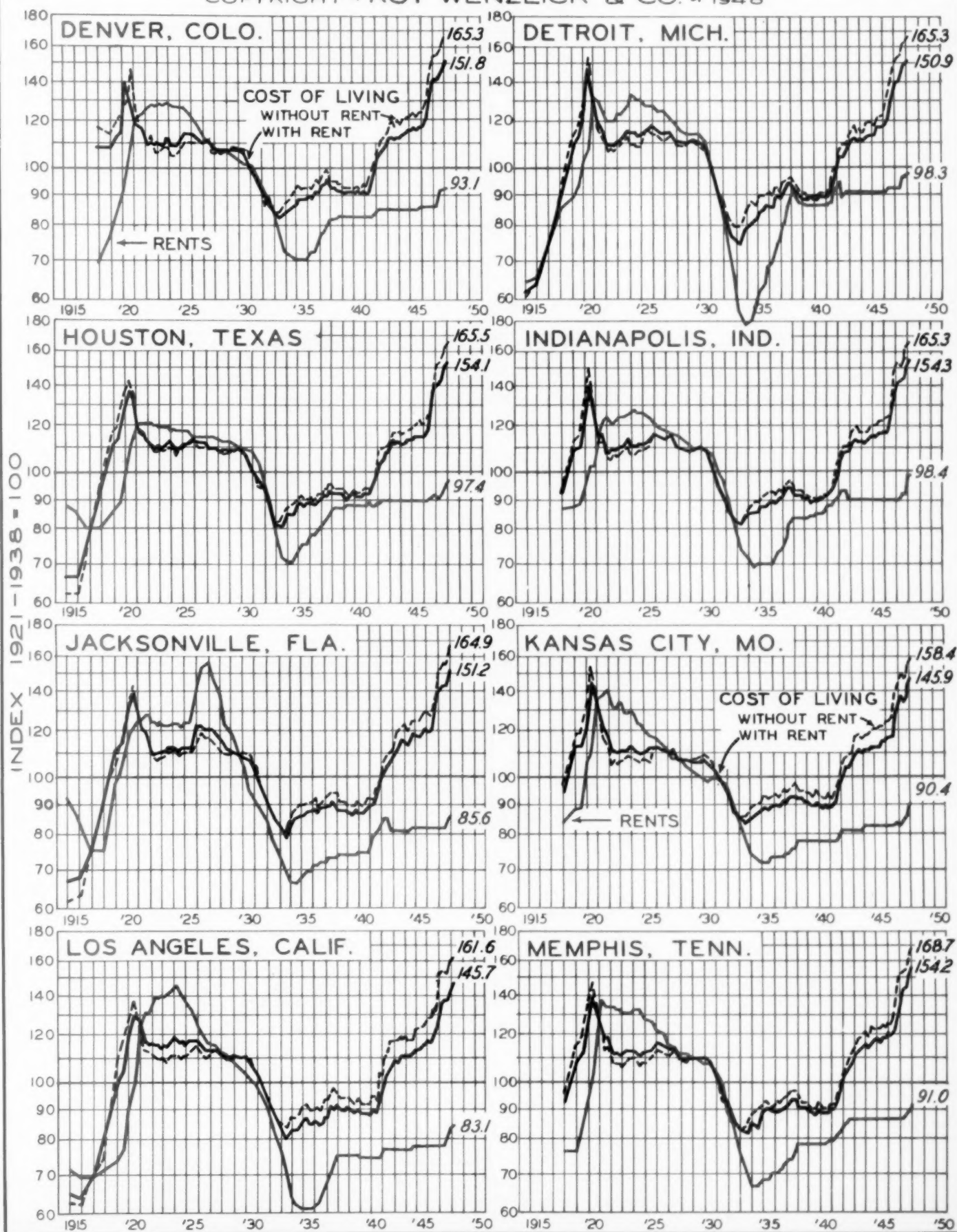
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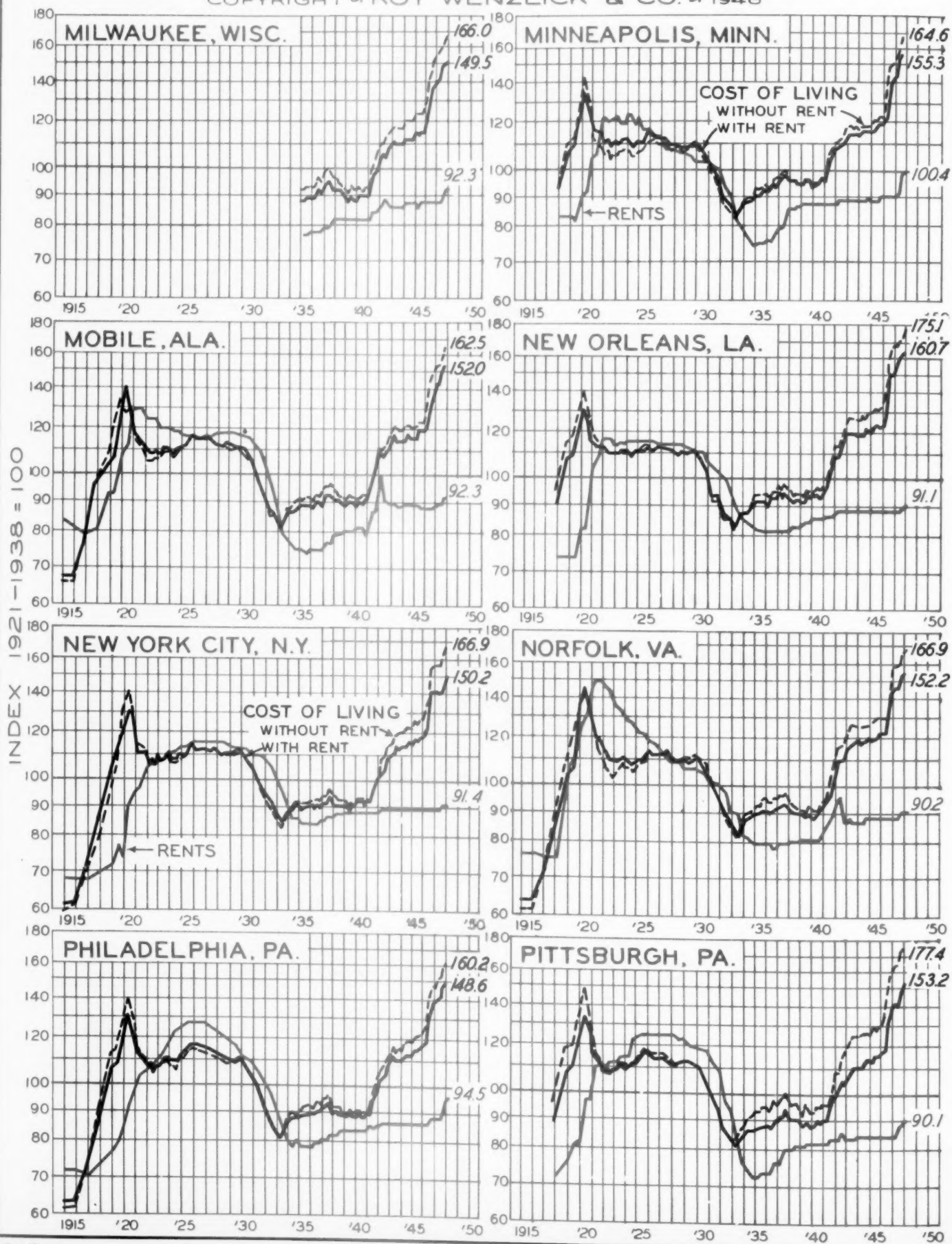
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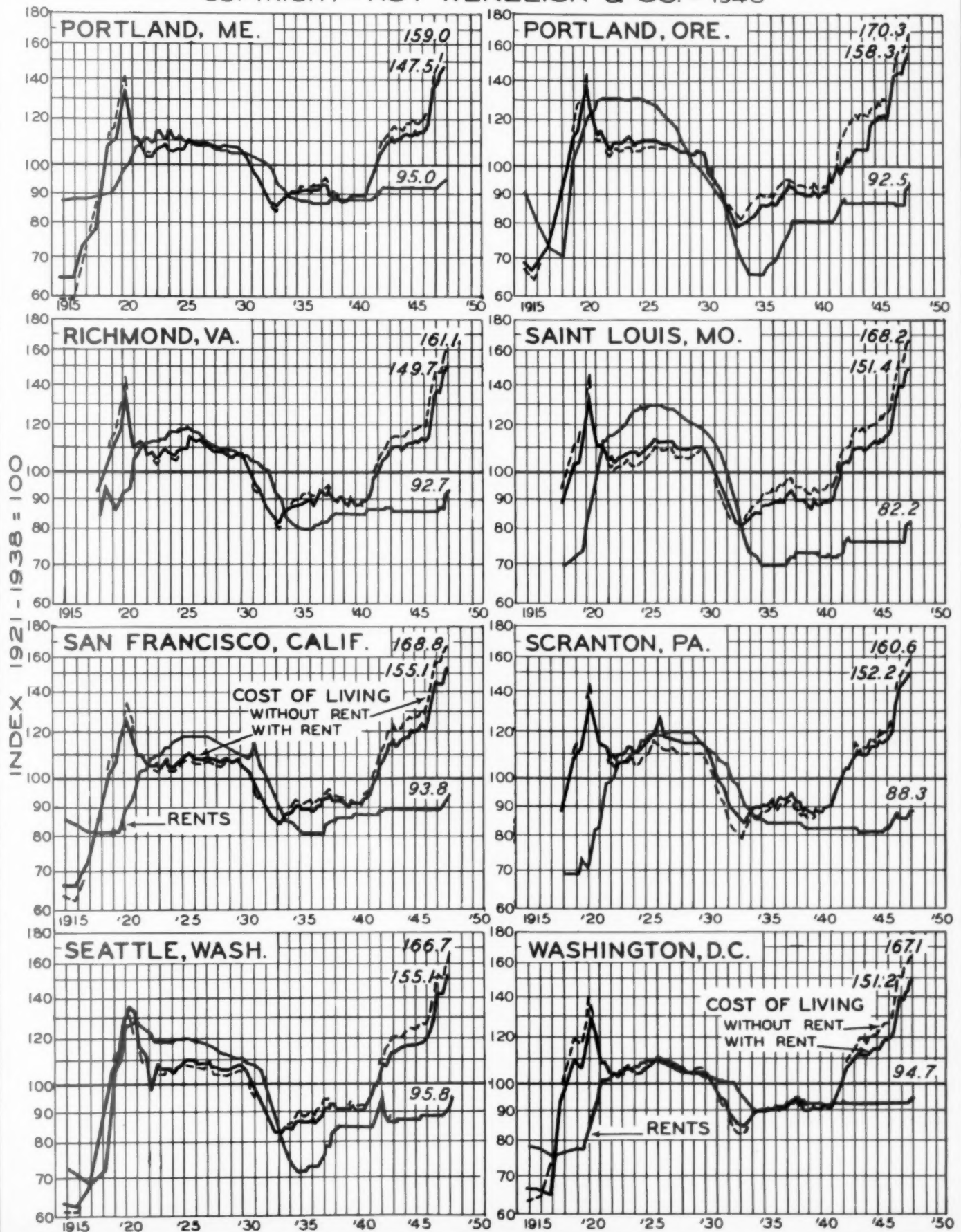
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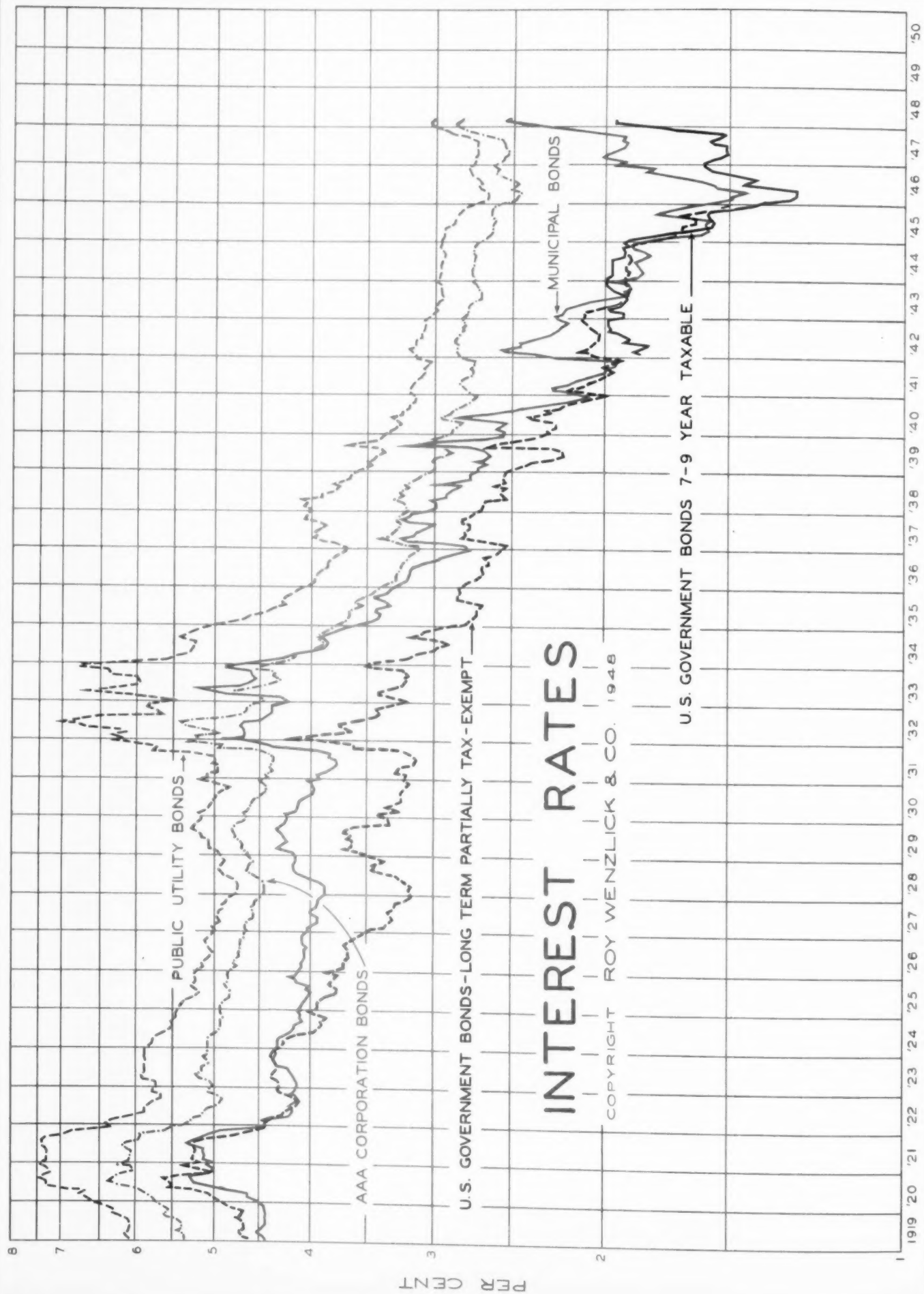
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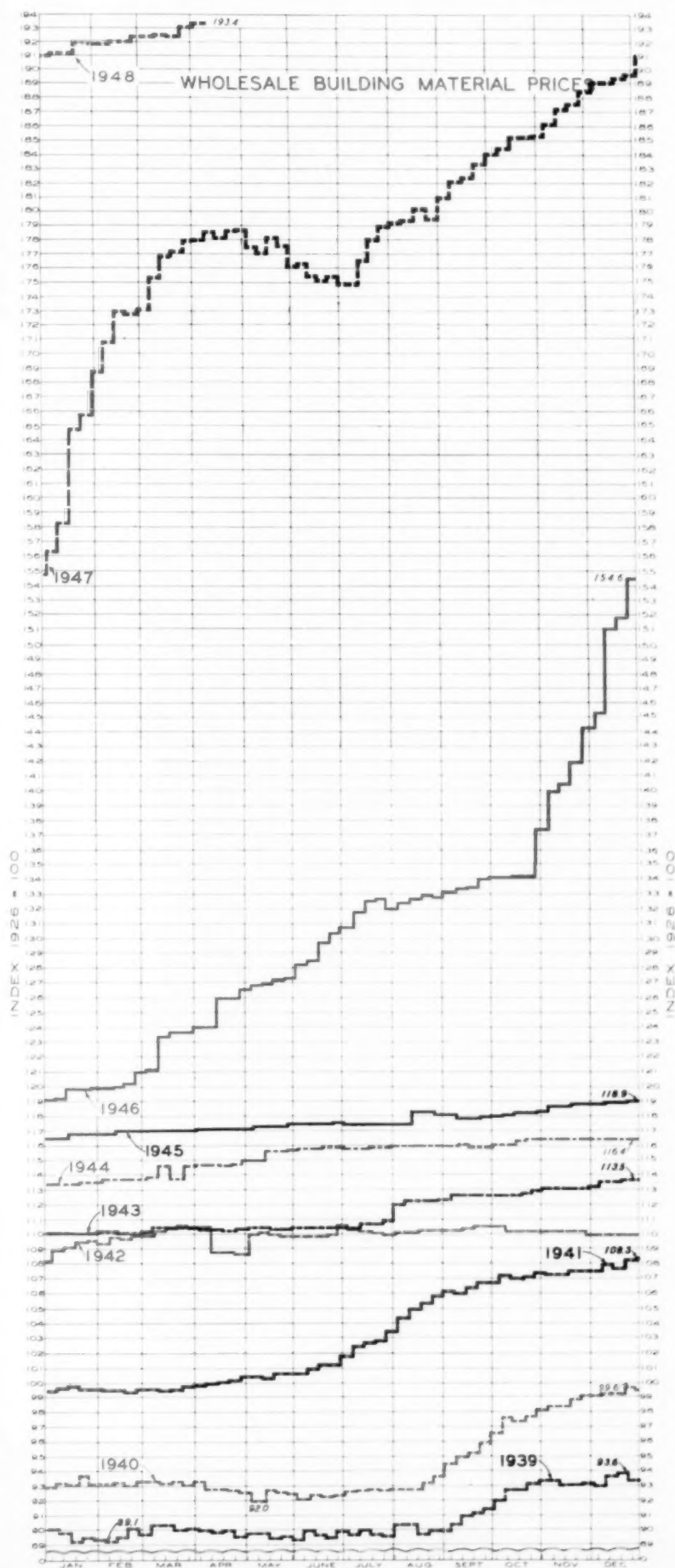
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WHOLESALE BUILDING MATERIAL PRICES



LAST November in discussing building material prices, we said: "The outlook seems to be for a sideways movement with a slight upward drift until at least the middle of 1948. If small decreases take place, they will probably be offset by the coming increase in freight rates." Since November wholesale building materials have increased only 5 per cent; thus the slow rise which began last July still continues. In the spring of 1947 it looked as if building material prices had reached their peak and had started down slowly, but the removal of most restrictions reversed this trend.

If it were not for the current war scare with its large (and possibly larger) requirements for inflationary rearmament spending, we would be inclined to predict a leveling off in building material prices by mid-year. Present indications are that the housing boom will go on and will possibly be augmented by some defense construction.

About the only change we would make in our remarks of last November would be to guess this upward drift to continue through 1948 instead of stopping in the middle of 1948. Lumber prices have advanced more than the prices of any other major building material and are the most vulnerable to a sudden drop. We do not anticipate a major drop in price of any of the building materials, however, and we think that the continued strong demand for construction will keep the prices at or slightly above the present point for some time.

KNUTSON, STALIN, MARSHALL AND THE DOLLAR

MESSRS. Knutson, Stalin and Marshall have unwittingly formed a triumvirate which will keep the purchasing power of the dollar down; in fact, Mr. Stalin's latest contribution may very well have the effect of driving it lower still. Mr. Marshall with his Plan was the first of the trio to enter the inflation picture and, while he was alone, the effect appeared to be one of simply arresting the threatened rise of the dollar. When Mr. Knutson and the tax cut joined Mr. Marshall and the Plan, the effect appeared to be one of temporarily restricting any increase in the dollar's value. Now that Mr. Stalin and his belligerent manner have joined the other two, the effect can be a further decrease in the power of the dollar. The size of the decrease will probably depend greatly on just how obnoxious Mr. Stalin becomes.

Insofar as the tax cut gives the greatest relief to the lower income brackets, it is inflationary because the majority of this tax relief will be dumped into the consumer spending stream. This phase of the cut is excellent politics, but very poor economics. The cut in the high brackets and the community property section of the bill may provide enough risk capital to help offset some of these inflationary results. At any rate it's a step in the right direction. The Marshall Plan will probably not be so inflationary as was first supposed. A rather substantial amount of the aid will come from other countries, some food prices are lower than a few months ago, and several European countries are giving signs that their recovery may be more rapid than was thought possible. One feature of the Plan is that some of the money will be used to help stabilize European currencies, which will enable those countries to export goods to the American market. The impetus inflation receives from our rearmament program will be delayed until the latter part of the year and the early part of 1949, unless the Russians prod us into heavier expenditures sooner. All in all we can't see much hope for deflation, i. e., price drop, i. e., a rise in the purchasing power of the dollar, any time soon; in fact, the indications are that the change, if any, will be harder on the pocketbook.

If we consider the average value of the retail dollar during the 1935-1939 period as 100¢, the dollar's value has dropped to slightly under 60¢.

